

FISCAL NOTE

Bill #: SB0303

Title: Modify school funding laws

Primary Sponsor: Glaser, B

Status: Second Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

Expenditures:

General Fund

FY 2004

Difference

\$21,440,000

FY 2005

Difference

\$26,510,000

Net Impact on General Fund Balance:

(\$21,440,000)

(\$26,510,000)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns
<input type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
|--|---|

Fiscal Analysis

ASSUMPTIONS:

Office of Public Instruction (OPI)

1. School districts will elect to retain 100% of their FY 2003 and FY 2004 fund balances in a reserve account for 2 years, rather than reappropriating that amount. As a result, fund balance reappropriated by districts at the end of each of these fiscal years will be \$0, or \$12.96 million less annually than it would be under current law. The cost for this component is approximately \$4.4 million per year and is included in the increased GTB costs in assumption 12.
2. For districts in existence for 3 years or more, beginning FY 2004 the basic and per-ANB entitlements are calculated using a 3-year average of ANB. For districts in existence less than 3 years, entitlements are calculated using current year ANB. Two districts with a total of 34 ANB will have been in existence for less than 3 years in FY 2004 and FY 2005.
3. Districts that will be eligible for budget amendments under 20-9-314 will anticipate and apply for unusual enrollment increase funding.
4. Under current law, the average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
K-6 ANB	76,057	73,619	72,044
7-8 ANB	25,082	25,546	25,220
9-12 ANB	<u>50,366</u>	<u>50,100</u>	<u>49,277</u>
	151,505	149,265	146,541

5. Under SB 303, the average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
K-6 ANB	76,057	76,324	74,318
7-8 ANB	25,082	25,559	25,475
9-12 ANB	<u>50,366</u>	<u>50,641</u>	<u>50,116</u>
	151,505	152,524	149,909

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(continued)

6. The costs of the averaging proposal alone are approximately \$7.7 million in FY 2004 and \$8.4 million in FY 2005. These costs include increased budget amendments and allowing districts that have not existed for three years to use current year ANB. These costs are included in the DSA and GTB costs in assumption 12.
7. The basic and per-ANB entitlements would increase by 2% for FY 2004. In FY 2005, the entitlements would be inflated by 1%. The state cost for increasing these entitlements is approximately \$22.7 million (note this is slightly higher than SB 323 due to increased costs associated with entitlement increases with averaging):

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Basic entitlement EL	\$19,244	\$19,629	\$19,825
Basic entitlement HS	\$213,819	\$218,095	\$220,276
Per-ANB entitlement EL	\$3,906	\$3,984	\$4,024
Per-ANB entitlement HS	\$5,205	\$5,309	\$5,362
Direct State Aid Percentage	44.7%	44.7%	44.7%

8. The statewide taxable valuation will increase by 4.0% in FY 2004 and by 5.5% in FY 2005.
9. Under current law, direct state aid will be \$319.27 million in FY 2004 and \$314.03 million in FY 2005. Special education payments will be \$34.91 million in FY 2004 and FY 2005. Guaranteed tax base aid to schools will be \$97.83 million in FY 2004 and \$94.93 million in FY 2005.
10. SB 303 does not affect the state special education appropriation.
11. Under current law, payments of direct state aid for unusual enrollment increases are anticipated to be \$100,000 per year.
12. Under SB 303, direct state aid will be \$331.62 million in FY 2004 and \$330.24 million in FY 2005. GTB aid paid to schools will be \$106.86 million in FY 2004 and \$105.33 million in FY 2005.
13. As school district general fund budgets increase, increased salaries will lead to higher district retirement costs and increases in countywide retirement and state guaranteed tax base aid (GTB) costs for retirement. GTB costs for retirement are expected to increase by \$160,000 in FY 2004. State GTB costs for county retirement in FY 2005 are not projected to increase over current law as a result of this legislation.

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Office of Public Instruction (OPI)		
<u>Expenditures:</u>		
Local Assistance	\$21,440,000	\$26,510,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$21,440,000	\$26,510,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$21,440,000)	(\$26,510,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts will respond to SB 303 in two ways. Most districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches. Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level in FY 2005. Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.